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H. R. 130

To provide for a Biofuels Feedstocks Energy Reserve, and to authorize the Secretary of Agriculture to make and guarantee loans for the production, distribution, development, and storage of biofuels.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 2003

Ms. KAPTUR (for herself, Mr. BOSWELL, and Mr. HINCHEY) introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To provide for a Biofuels Feedstocks Energy Reserve, and to authorize the Secretary of Agriculture to make and guarantee loans for the production, distribution, development, and storage of biofuels.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Biofuels Energy Inde-
5 pendence Act of 2003”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds as follows:

1 (1) The over reliance of the United States on
2 imported petroleum creates a major strategic vulner-
3 ability for the Nation, with nearly half of the energy
4 supply of the United States dependent on foreign
5 sources.

6 (2) From the economically damaging Arab oil
7 embargoes of 1973–74 and 1979 to the current re-
8 cession precipitated by rising oil prices which began
9 in 1999, the economic stability of the United States
10 has too often been shaken by economic forces out-
11 side its borders.

12 (3) This Act would shift America’s dependence
13 away from foreign petroleum as an energy source to-
14 ward alternative, renewable, domestic agricultural
15 sources. Its aim is to convert the current petroleum
16 trade deficit to a trade balance by replacing foreign
17 sources of supply with steady increases of biobased
18 fuels through domestic production.

19 (4) Today, there are nearly 135,000,000 cars
20 and 85,000,000 trucks on our highways. Of this
21 amount, approximately 3,300,000 cars and trucks
22 already on our highways will run on 85 percent eth-
23 anol (E–85), and this number is increasing. For the
24 2003 model year, there are 20 different models of
25 vehicles capable of running on E–85. Yet given this

1 market, the alternative fuel is used less than 1 per-
2 cent of the time given that of the more than
3 187,000 retail locations selling motor fuel in the US,
4 only 151 stations across 22 States sell E-85.

5 (5) Currently the United States annually con-
6 sumes about 7,171,885,000 barrels of petroleum.
7 (164,000,000,000 gallons of vehicle fuels and
8 5,600,00,000 gallons of heating oil.) In 2001, 55.4
9 percent of these fuels were imported, part of a total
10 \$358,200,000,000 trade deficit with the rest of the
11 world. Since 1983, the United States importation of
12 petroleum and its derivatives has nearly tripled, ris-
13 ing from 1,215,225,000 barrels in 1983 to
14 3,404,720,000 barrels in 2001.

15 (6) Further Strategic Petroleum Reserve policy
16 should encourage domestic production to the great-
17 est extent possible. Currently the Strategic Petro-
18 leum Reserve holds 598,700,000 barrels (out of a
19 potential 700,000,000 barrels), sufficient to cushion
20 the United States from wild price swings for a pe-
21 riod of 53 days. None of the fuel in this Reserve is
22 bio-based. In fact, 92.2 percent of the Strategic Pe-
23 troleum Reserve has been purchased from foreign
24 sources—41.9 percent from Mexico, 24 percent from

1 the United Kingdom, and over 20 percent from
2 OPEC nations.

3 (7) Strategic Petroleum Reserve policy also
4 should encourage the development of alternatives to
5 the Nation's reliance on petroleum such as biomass
6 fuels.

7 (8) As a first step in diversification, the Stra-
8 tegic Petroleum Reserve should exchange 2,100,000
9 barrels from our current reserves for 32,000,000
10 gallons of ethanol and biodiesel, which would com-
11 prise less than 2 percent of the United States mar-
12 ket, but yield a doubling of ethanol products.

13 (9) The benefits of biofuels are as follows:

14 (A) ENERGY SECURITY.—

15 (i) Biofuels hold potential to address
16 our dependence on foreign energy sources
17 immediately. With agricultural surpluses,
18 commodity prices have reached record
19 lows; concurrently world petroleum prices
20 have reached record highs and are ex-
21 pected to continue rising as global petro-
22 leum reserves are drawn down over the
23 next 25 years. It also is clear that eco-
24 nomic conditions are favorable to utilize

1 domestic surpluses of biobased oils to en-
2 hance the Nation's energy security.

3 (ii) In the short term, biofuels can
4 supply at least one-fifth of current United
5 States fuel demand using existing tech-
6 nologies and capabilities. Additional plant
7 research, newer processing and distribution
8 technologies, and placing additional acres
9 under cultivation can yield even greater re-
10 sults.

11 (iii) Biofuels can be used with existing
12 petroleum infrastructure and conventional
13 equipment.

14 (B) ECONOMIC SECURITY.—

15 (i) Continued dependence upon im-
16 ported sources of oil means our Nation is
17 strategically vulnerable to disruptions in
18 our oil supply.

19 (ii) Renewable biofuels domestically
20 produced directly replace imported oil.

21 (iii) Increased use of renewable
22 biofuels would result in significant eco-
23 nomic benefits to rural and urban areas
24 and also reduce the trade deficit.

1 (iv) According to the Department of
2 Agriculture, a sustained annual market of
3 100,000,000 gallons of biodiesel alone
4 would result in \$170,000,000 in increased
5 income to farmers.

6 (v) Farmer-owned biofuels production
7 has already resulted in improved income
8 for farmers, as evidenced by the experience
9 with State-supported rural development ef-
10 forts in Minnesota where prices to corn
11 producers have been increased by \$1.00
12 per bushel.

13 (C) ENVIRONMENTAL SECURITY.—

14 (i) The use of grain-based ethanol re-
15 duces greenhouse gas emissions from 35 to
16 46 percent compared with conventional
17 gasoline. Biomass ethanol provides an even
18 greater reduction.

19 (ii) The American Lung Association
20 of Metropolitan Chicago credits ethanol-
21 blended reformulated gasoline with reduc-
22 ing smog-forming emissions by 25 percent
23 since 1990.

1 (iii) Ethanol reduces tailpipe carbon
2 monoxide emissions by as much as 30 per-
3 cent.

4 (iv) Ethanol reduces exhaust volatile
5 organic compounds emissions by 12 per-
6 cent.

7 (v) Ethanol reduces toxic emissions by
8 30 percent.

9 (vi) Ethanol reduces particulate emis-
10 sions, especially fine-particulates that pose
11 a health threat to children, senior citizens,
12 and those with respiratory ailments.

13 (vii) Biodiesel contains no sulfur of
14 aromatics associated with air pollution.

15 (viii) The use of biodiesel provides a
16 78.5 percent reduction in CO₂ emissions
17 compared to petroleum diesel and when
18 burned in a conventional engine provides a
19 substantial reduction of unburned hydro-
20 carbons, carbon monoxide, and particulate
21 matter.

1 **TITLE I—NATIONAL BIOFUELS**
2 **DEVELOPMENT**

3 **SEC. 101. LOANS AND LOAN GUARANTEES.**

4 (a) IN GENERAL.—The Secretary of Agriculture (in
5 this section referred to as the “Secretary”) may make and
6 guarantee loans for the production, distribution, develop-
7 ment, and storage of biofuels.

8 (b) ELIGIBILITY.—

9 (1) IN GENERAL.—Except as provided in para-
10 graph (2), an applicant for a loan or loan guarantee
11 under this section shall be eligible to receive such a
12 loan or loan guarantee if—

13 (A) the applicant is a farmer, member of
14 an association of farmers, member of a farm co-
15 operative, municipal entity, nonprofit corpora-
16 tion, State, or Territory; and

17 (B) the applicant is unable to obtain suffi-
18 cient credit elsewhere to finance the actual
19 needs of the applicant at reasonable rates and
20 terms, taking into consideration prevailing pri-
21 vate and cooperative rates and terms in the
22 community in or near which the applicant re-
23 sides for loans for similar purposes and periods
24 of time.

1 (2) LOAN GUARANTEE ELIGIBILITY PRECLUDES
2 LOAN ELIGIBILITY.—An applicant who is eligible for
3 a loan guarantee under this section shall not be eli-
4 gible for a loan under this section.

5 (c) LOAN TERMS.—

6 (1) INTEREST RATE.—Interest shall be payable
7 on a loan under this section at the rate at which in-
8 terest is payable on obligations issued by United
9 States for a similar period of time.

10 (2) REPAYMENT PERIOD.—A loan under this
11 section shall be repayable in not less than 5 years
12 and not more than 20 years.

13 (d) REVOLVING FUND.—

14 (1) ESTABLISHMENT.—The Secretary shall es-
15 tablish a revolving fund for the making of loans
16 under this section.

17 (2) DEPOSITS.—The Secretary shall deposit
18 into the revolving fund all amounts received on ac-
19 count of loans made under this section.

20 (3) PAYMENTS.—The Secretary shall make
21 loans under this section, and make payments pursu-
22 ant to loan guarantees provided under this section,
23 from amounts in the revolving fund.

1 (e) REGULATIONS.—The Secretary may prescribe
 2 such regulations as may be necessary to carry out this
 3 section.

4 (f) LIMITATIONS ON AUTHORIZATION OF APPROPRIA-
 5 TIONS.—For the cost (as defined in section 502(5) of the
 6 Federal Credit Reform Act of 1990) of loans and loan
 7 guarantees under this section, there are authorized to be
 8 appropriated to the revolving fund established under sub-
 9 section (d) of this section such sums as may be necessary
 10 for fiscal years 2003 through 2010.

11 **TITLE II—BIOFUELS FEED-**
 12 **STOCKS ENERGY RESERVE**
 13 **PROGRAM**

14 **SEC. 201. ESTABLISHMENT.**

15 The Secretary of Agriculture (in this title referred to
 16 as the “Secretary”) may establish and administer a re-
 17 serve of agricultural commodities (known as the “Biofuels
 18 Feedstocks Energy Reserve”) for the purpose of—

19 (1) providing feedstocks to support and further
 20 the production of energy from biofuels; and

21 (2) supporting the biofuels energy industry
 22 when production is at risk of declining due to re-
 23 duced feedstocks or significant commodity price in-
 24 creases.

1 **SEC. 202. PURCHASES.**

2 (a) IN GENERAL.—The Secretary may purchase agri-
3 cultural commodities at commercial rates, subject to sub-
4 section (b), in order to establish, maintain, or enhance the
5 Biofuels Feedstocks Energy Reserve when—

6 (1)(A) the commodities are in abundant supply;

7 and

8 (B) there is need for adequate carryover stocks
9 to ensure a reliable supply of the commodities to
10 meet the purposes of the reserve; or

11 (2) it is otherwise necessary to fulfill the needs
12 and purposes of the biofuels energy reserve program.

13 (b) LIMITATION.—The agricultural commodities pur-
14 chased for the Biofuels Feedstocks Energy Reserve shall
15 be—

16 (1) of the type and quantity necessary to pro-
17 vide not less than 1-year's utilization for renewable
18 energy purposes; and

19 (2) in such additional quantities to provide in-
20 centives for research and development of new renew-
21 able fuels and bio-energy initiatives.

22 **SEC. 203. RELEASE OF STOCKS.**

23 Whenever the market price of a commodity held in
24 the Biofuels Feedstocks Energy Reserve exceeds 100 per-
25 cent of the economic cost of producing the commodity (as
26 determined by the Economic Research Service using the

1 best available information, and based on a 3-year moving
2 average), the Secretary shall release stocks of the com-
3 modity from the reserve at cost of acquisition, in amounts
4 determined appropriate by the Secretary.

5 **SEC. 204. STORAGE PAYMENTS.**

6 (a) IN GENERAL.—The Secretary shall provide for
7 the storage of agricultural commodities purchased for the
8 Biofuels Feedstocks Energy Reserve by making payments
9 to producers for the storage of the commodities. The pay-
10 ments shall—

11 (1) be in such amounts, under such conditions,
12 and at such times as the Secretary determines ap-
13 propriate to encourage producers to participate in
14 the program; and

15 (2) reflect local, commercial storage rates, sub-
16 ject to appropriate conditions concerning quality
17 management and other factors.

18 (b) ANNOUNCEMENT OF PROGRAM.—

19 (1) TIME OF ANNOUNCEMENT.—The Secretary
20 shall announce the terms and conditions of the stor-
21 age payments for a crop of a commodity by—

22 (A) in the case of wheat, December 15 of
23 the year in which the crop of wheat was har-
24 vested;

1 (B) in the case of feed grains, March 15
2 of the year following the year in which the crop
3 of corn was harvested; and

4 (C) in the case of other commodities, such
5 dates as may be determined by the Secretary.

6 (2) CONTENT OF ANNOUNCEMENT.—In the an-
7 nouncement, the Secretary shall specify the max-
8 imum quantity of a commodity to be stored in the
9 Biofuels Feedstocks Energy Reserve that the Sec-
10 retary determines appropriate to promote the orderly
11 marketing of the commodity, and to ensure an ade-
12 quate supply for the production of biofuels.

13 (c) RECONCENTRATION.—The Secretary may, with
14 the concurrence of the owner of a commodity stored under
15 this program, reconcentrate the commodity stored in com-
16 mercial warehouses at such points as the Secretary con-
17 siders to be in the public interest, taking into account such
18 factors as transportation and normal marketing patterns.
19 The Secretary shall permit rotation of stocks and facilitate
20 maintenance of quality under regulations that assure that
21 the holding producer or warehouseman shall, at all times,
22 have available for delivery at the designated place of stor-
23 age both the quantity and quality of the commodity cov-
24 ered by the producer's or warehouseman's commitment.

1 (d) MANAGEMENT.—Whenever a commodity is stored
2 under this section, the Secretary may buy and sell at an
3 equivalent price, allowing for the customary location and
4 grade differentials, substantially equivalent quantities of
5 the commodity in different locations or warehouses to the
6 extent needed to properly handle, rotate, distribute, and
7 locate the commodity that the Commodity Credit Corpora-
8 tion owns or controls. The purchases to offset sales shall
9 be made within 2 market days following the sales. The
10 Secretary shall make a daily list available showing the
11 price, location, and quantity of the transactions.

12 (e) REVIEW.—In announcing the terms and condi-
13 tions under which storage payments will be made under
14 this section, the Secretary shall review standards con-
15 cerning the quality of a commodity to be stored in the
16 Biofuels Feedstocks Energy Reserve, and such standards
17 should encourage only quality commodities, as determined
18 by the Secretary. The Secretary shall review inspection,
19 maintenance, and stock rotation requirements and take
20 the necessary steps to maintain the quality of the commod-
21 ities stored in the reserve.

22 **SEC. 205. USE OF COMMODITY CREDIT CORPORATION.**

23 The Secretary shall use the Commodity Credit Cor-
24 poration, to the extent feasible, to carry out this title. To
25 the maximum extent practicable consistent with the effec-

1 tive and efficient administration of this title, the Secretary
2 shall utilize the usual and customary channels, facilities,
3 and arrangements of trade and commerce.

4 **SEC. 206. REGULATIONS.**

5 Not later than 60 days after the date of the enact-
6 ment of this Act, the Secretary shall issue such regulations
7 as are necessary to carry out this title.

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